

## Board of Directors' report to the General Shareholders' Meeting

# Share-based incentivisation system pursuant to Article 114-*bis* of TUF: assignment of powers; relevant and ensuing resolutions.

*Shareholders,*

This Report has been drafted pursuant to Articles 114-*bis* and 125-*ter* of Legislative Decree No. 58 of 24 February 1998, as amended and extended (the Consolidation Law on Financial Intermediation or "**TUF**"), and Article 84-*ter* of the Regulation adopted by Consob Resolution No. 11971 of 14 May 1999, as amended and extended ("**Rules for Issuers**").

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The Board of Directors is going to submit for your approval, pursuant to Article 114-*bis* of TUF, the adoption of a share-based plan for 2020 ("**Incentivisation System**"), intended for the Key Personnel of the Banca Generali Group (i.e., persons whose activities have or may have a significant impact on the risk profile of the Bank or the Banca Generali Group).

The Incentivisation System is intended in particular for persons identified as belonging to the category of Key Personnel, pursuant to applicable regulations.

This Report is thus aimed at illustrating the rationale and content of the proposal concerning the aforementioned Incentivisation System. For definitions and an illustration of the content and provisions of the System, reference should be made to the Information Document, drafted in accordance with Article 114-*bis* of TUF and Article 84-*bis* of the Rules for Issuers, made available to the public according to the terms and conditions mandated by applicable legislation.

### **1. Reasons for adopting the Incentivisation System**

The Incentivisation System serves the following purposes:

- a) it allows the Bank to comply with the provisions of Bank of Italy Circular No. 285 of 17 December 2013 on remuneration and incentivisation policies and practices (the "**Circular**"), requiring that a portion of the different components of variable remuneration constituting the remuneration package of Key Personnel (as defined in the aforementioned Circular, and therefore including the component that specifically serves as an incentive — the "**Bonus**" —, and all other components, including Severance — collectively referred to as the "**Variable Remuneration**"<sup>1</sup>)

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<sup>1</sup> For the purposes of this document, the incentives defined in the Bank's Long Term Incentive Plan and Network Loyalty

be paid in financial instruments, contingent on sustainable performance conditions, as provided for in the Banca Generali Group's remuneration policies ("**Remuneration Policies**");

- b) it allows better alignment of the interests of the Banca Generali Group's management and those of its shareholders through attentive management of company risks and pursuit of long-term strategies.

## **2. Beneficiaries**

The beneficiaries of the Incentivisation System are the Key Personnel of the Banca Generali Group ("**Potential Beneficiaries**").

In detail, at present (without prejudice to future changes), they include the Bank's Chief Executive Officer and General Manager Gian Maria Mossa, the Deputy General Manager Wealth Management, Markets and Products, and the Deputy General Manager Commercial Networks & Alternative and Support Channels.

The other information envisaged in paragraph 1 of Layout 7 of Annex 3A to the Rules for Issuers will be provided at a later date, during the implementation of the Incentivisation System, according to the methods and terms set out in Article 84-*bis*, paragraph 5), letter a), of the aforementioned Rules for Issuers.

## **3. Methods and clauses for the implementation of the Incentivisation System, with an indication of whether its implementation is contingent on the satisfaction of conditions, and in particular on the achievement of certain results**

The Remuneration Policies provide that a part (25%<sup>2</sup>) of the Variable Remuneration of Banca Generali Group's Key Personnel be disbursed through the free award of the Bank's shares ("**Shares**") according to the following allotment mechanism:

- For amounts exceeding the set threshold of 75,000.00 euros:
  - a) 60% of the Bonus will be disbursed within the first half of the year after the year of reference, 75% in cash and 25% in Shares;
  - b) 20% of the Bonus will be further deferred for one year as of the date of the disbursement of the first instalment: 75% in cash and 25% in Shares;
  - c) the remaining 20% of the Bonus will be further deferred by two years as of the date of the disbursement of the first instalment: 75% in cash and 25% in Shares<sup>3</sup>.
- If the actual bonus accrued is below the above-mentioned threshold, it will be paid in full up front (partly in cash and partly in shares) during the year after that of reference, once the

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Plan, as governed under the Remuneration Policies and other applicable information document pursuant to Article 114-*bis* of TUF, shall be excluded.

<sup>2</sup> If the variable remuneration of the beneficiaries indicated in paragraph 2.1, point 4(3), of the Circular qualifies as a "particularly large amount" (as identified by the Remuneration Policies), the payment of said remuneration shall comply with the criteria specifically set forth in the Remuneration Policies in force from time to time.

<sup>3</sup> Similar rules shall apply, *mutatis mutandis*, to all other forms of Variable Remuneration (e.g., Severance). In these cases, the first instalment will be paid in accordance with the terms set forth in the relevant contractual documentation.

Board of Directors has verified earnings results during the year of accrual and satisfaction of the access gate.

The award of the Variable Remuneration (and thus also of the Shares) is contingent on:

- a) the level of achievement of the quantitative and qualitative performance objectives assigned to each Beneficiary (i.e., upon satisfaction of further or different conditions than those defined in the Remuneration Policies<sup>4</sup>);
- b) achievement of an access gate by the Banca Generali Group, on the basis of the final earnings results for the year;
- c) assessment, at the time of each assignment, of the conditions underlying the “malus” mechanism set out in Remuneration Policies as in effect at the time;
- d) observance of the cap mechanism aimed at ensuring that the ratio of total variable remuneration to total fixed remuneration remains within the pre-determined limits.

**4. Support for the Incentivisation System, if any, from the Special Fund for encouraging workers to participate in enterprises, mentioned in Article 4, paragraph 112, of Law No. 350 of 24 December 2003**

The Incentivisation System does not receive any support from the Special Fund for encouraging workers to participate in enterprises, mentioned in Article 4, paragraph 112, of Law No. 350 of 24 December 2003.

**5. Methods of defining the prices and criteria for determining the subscription or strike prices of shares**

Not applicable.

**6. Lock-up of shares, with particular regard to the period within which subsequent transfers to the company or third parties are permitted or restricted**

All the Shares shall be subject to a retention period of one year<sup>5</sup>.

An outline draft of the resolution that the General Shareholders' Meeting is invited to pass by way of approval of the aforesaid proposal is provided below:

*“The Ordinary Shareholders’ Meeting of Banca Generali S.p.A., convened in ordinary session in Trieste, at the office of Notaries Public Paparo and Dado at Via San Nicolò 13,*

- *having regard to the Board of Director’s Report on this item on the Agenda;*
- *having regard to the Information Document on the share-based Incentivisation System, prepared pursuant to Article 114-bis of TUF and Article 84-bis of the Rules for Issuers, to which reference is made,*

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<sup>4</sup> For example, in case of Severance, upon compliance with requirements and in accordance with the criteria from time to time defined by the Remuneration Policies.

<sup>5</sup> The period from the end of the period of accrual for the first instalment and from each year after that date for the second and third instalments of the shares.

- *having regard to Article 114-bis of TUF and Consob's regulatory provisions,*

***resolves:***

- 1. to approve, pursuant to Article 114-bis of TUF, the adoption of the share-based Incentivisation System for Key Personnel, the terms, conditions and mechanisms of which are described in the relevant information document attached to the Board of Directors' Report, to which reference is made;*
- 2. to grant the Chairman of the Board of Directors and the Chief Executive Officer, severally and with the express power to sub-delegate third-parties (also not members of the Board of Directors), all of the necessary and appropriate powers to effect complete and full implementation of the Incentivisation System, in accordance with the terms and conditions set out in the information document on the share-based incentivisation plan, to which reference is made. In passing all relevant resolutions, the Board of Directors will act on the basis of a non-binding opinion of the Remuneration Committee and — in the cases set out in Article 2389, paragraph 3, of the Italian Civil Code — after considering the opinion of the Board of Statutory Auditors.”*

Milan, 9 March 2020

The Board of Directors